

RAYROCK MINES LIMITED

OFFICERS

J. C. BYRNE - - - - - *President*
 J. K. B. BOOTH, P.Eng. - - - - - *Vice-President*
 D. R. McEWEN - - - - - *Secretary-Treasurer*

DIRECTORS

G. H. BEESTON - - - - - Toronto, Ont.
 J. K. B. BOOTH, P.Eng. - - - - - Toronto, Ont.
 J. C. BYRNE - - - - - Toronto, Ont.
 D. S. HAMILTON - - - - - Brampton, Ont.
 H. B. HICKS, P.Eng. - - - - - Vancouver, B.C.
 J. J. RANKIN - - - - - Toronto, Ont.
 W. TERON - - - - - Ottawa, Ont.

MANAGEMENT

J. C. BYRNE
Managing Director - - - - - Toronto, Ont.

CONSULTANTS

NORMAN W. BYRNE, P.Eng. - - - Yellowknife, N.W.T.
Consulting Engineer
 J. K. B. BOOTH, P.Eng. - - - - - Toronto, Ont.
Consulting Geologist

EXECUTIVE ENGINEER

L. A. BEDNARZ, P.Eng. - - - - - Toronto, Ont.

SOLICITORS

MUNGOVAN & MUNGOVAN - - - - - 80 King St. W.
 Toronto, Ont.

AUDITORS

COLLINS, LOVE, EDDIS,
 VALIQUETTE & BARROW - - - - - 110 Yonge St.
 Toronto, Ont.

TRANSFER AGENTS AND REGISTRARS

CROWN TRUST COMPANY - - - - - 302 Bay St.
 Toronto, Ont.

BANKERS

ROYAL BANK OF CANADA, Bay and Temperance Branch,
 Toronto, Ont.

EXECUTIVE OFFICE

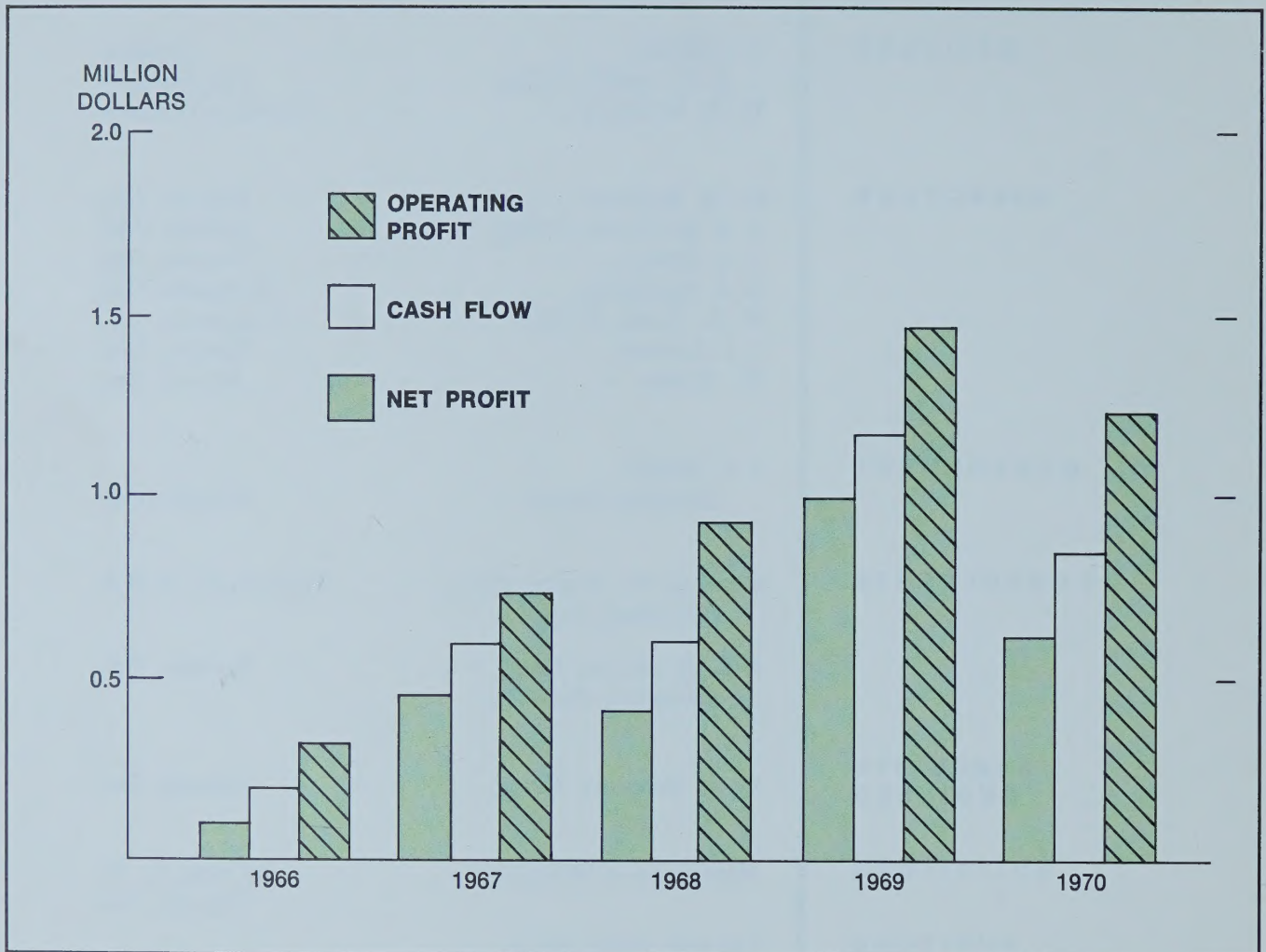
Suite 1011, 2200 Yonge St., Toronto 12, Ont.

ANNUAL MEETING

March 2, 1971, 11:00 a.m., New Brunswick Room,
 Royal York Hotel, Toronto.

GRAPHICAL EARNINGS PRESENTATION

1966 - 1970



HIGHLIGHTS — 1970

Revenues	\$2,369,865
Operating Profit	1,221,755
Cash Flow	839,237
Net Profit	608,935
Working Capital	1,770,930

→ ($\frac{1969}{1,168,745}$)

Directors' Report

TO THE SHAREHOLDERS:

The Directors submit herewith the Annual Report and the audited financial statements for the fiscal year ended October 31, 1970.

Although earnings from all revenue sources were lower than that of the previous period, the year 1970 was nevertheless a satisfactory one. Net profit of \$608,935, equivalent to \$0.14 per share, was the second highest recorded in the Company's history. Cash flow was \$0.19 per share in 1970 as compared to \$0.26 reported in 1969. Mining exploration expenditures at \$286,953 were substantially higher than that of each of the past several years.

Net mine operating profit from the Icon Sullivan Joint Venture registered an 11 per cent decline due to a slightly lower grade of ore milled, and higher operating costs. The Chibougamau region copper producer, in which Rayrock owns a 23.75 per cent interest, has treated 700,000 tons of ore grading 3.2 per cent copper since commencement of production in June, 1967. Ore reserves at fiscal year end were 700,000 tons averaging 2.4 per cent copper. Exploratory drilling continues on the mine property in the search for new ore.

Copper prices, which came under pressure during the latter part of 1970, are presently at a three year low on the London Metal Exchange. A return to buoyant copper quotations in the immediate future is unlikely in the light of projected metal surpluses, and hence it is expected that Icon revenue from 1971 copper production will be significantly lower than that received in 1970.

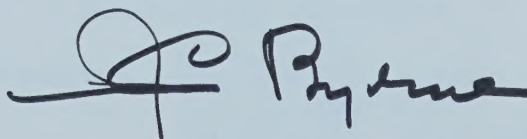
The Petroleum Division experienced two price changes for crude oil during the calendar year. An early year reduction applicable to the bulk of the Company's production depressed operating profits; however, a significant improvement is anticipated for 1971 as a result of an industry wide price increase of 25 cents per barrel which became effective in December. Acquisition of additional oil and gas reserves in southwestern Ontario is currently under consideration.

During the year Rayrock broadened its exploration exposure through additional syndicate participations. One is the Cordex Syndicate which has budgeted \$1,000,000 to be spent on exploration in the western United States and Alaska during a 3½ year period. Another is exploring in Western Australia. The Icon Syndicate, in its 12th year, and the Caltor Syndicate, in its 2nd year, will be conducting programs in Quebec and in Western Canada respectively.

Your Company had a working capital of \$1,770,930 at the fiscal year end and listed securities with a market value of \$2,255,000. The most important investment continues to be 42 per cent interest in Discovery Mines Limited, which Company brought the Irish copper property of Avoca Mines into recent production; Discovery's equity in Avoca Mines is approximately 48 per cent.

Mr. D. S. Hamilton, who has served the Company for 24 years, has retired as Secretary-Treasurer and your Directors wish to acknowledge his valuable contribution over the years.

On Behalf of the Board of Directors,



President and Managing Director.

Toronto, Ontario
January 25, 1971

RAYROCK MINES LIMITED

(Incorporated under the laws of Ontario)

Balance Sheet -

ASSETS

Current assets

	1970	1969
Cash	\$ 47,963	\$ 339,709
Short term notes and certificates, at cost	1,300,000	900,000
Other short term investments, at lower of cost or market	90,597	30,955
Accounts receivable	114,742	135,448
Prepaid expenses	1,657	1,903
Interest in net current assets of the Icon Sullivan Joint Venture	248,533	510,420
	<u>1,803,492</u>	<u>1,918,435</u>
Investment in other companies (note 2)	3,343,785	2,735,299

Oil properties

Petroleum and natural gas leases, at cost (less accumulated depletion, 1970, \$418,872; 1969, \$337,866)	710,353	791,360
Non-producing leases, at cost	94,441	94,441
Well equipment, at cost (less accumulated depreciation, 1970, \$121,136; 1969, \$110,260)	36,088	40,887
	<u>840,882</u>	<u>926,688</u>

Mining properties

Mining claims and options, at cost	28,946	44,165
Interest in non-current assets of the Icon Sullivan Joint Venture ..	392,967	188,540
Interest in unexpended funds of mining exploration syndicates ..	13,172	6,197
	<u>435,085</u>	<u>238,902</u>

Other assets

Sundry accounts receivable	5,200	10,218
Head office furniture, at cost (less accumulated depreciation, 1970, \$8,181; 1969, \$7,289)	3,795	4,630
Incorporation and organization		11,127
	<u>8,995</u>	<u>25,975</u>
Excess of cost of investment in subsidiary company over the book value of its assets		291,821
	<u>\$6,432,239</u>	<u>\$6,137,120</u>

RAYROCK MINES LIMITED

(Incorporated under the laws of Ontario)

October 31, 1970

LIABILITIES

Current liabilities

Accounts payable and accrued expenses

1970
\$ 32,562

1969
\$ 40,570

SHAREHOLDERS' EQUITY

Capital Stock (note 4)

Authorized

5,000,000 shares of \$1 par value each

Issued

4,460,000 shares

4,460,000

4,460,000

Contributed surplus

619,318

619,318

Retained earnings

1,320,359

1,017,232

6,399,677

6,096,550

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board,

J. C. BYRNE, Director

J. K. B. BOOTH, Director

\$6,432,239

\$6,137,120

RAYROCK MINES LIMITED

Notes to the Financial Statements

October 31, 1970

1. Amalgamation

By letters patent dated June 1, 1970, Rayrock Mines Limited and its wholly-owned subsidiary, Elgin Petroleum Corporation Limited, were amalgamated under the name of Rayrock Mines Limited.

These financial statements include the operations of the companies on a consolidated basis for the seven months ended May 31, 1970 and the twelve months ended October 31, 1969, and on an amalgamated basis for the five months ended October 31, 1970.

2. Investment in other companies

	1970	1969
Discovery Mines Limited — 1,158,989 shares at cost, quoted market value		
\$1,391,000 (1969, 942,389 shares, quoted market value \$1,423,000)	\$1,887,944	\$1,618,049
Other listed shares at cost, quoted market value \$864,000 (1969, \$946,000)	922,775	802,817
Other shares (unlisted or escrowed), debentures, etc. at cost, less amounts written-off	533,066	314,433
	<u>\$3,343,785</u>	<u>\$2,735,299</u>

Because of the number of shares involved, the quoted market value of the investment in Discovery Mines Limited is not necessarily indicative of the amount which would be realized if it were to be sold.

3. Liability for income taxes

The company's share of income from the Icon Sullivan mine was exempt from income taxes for a three-year period which ended on May 31, 1970.

Income which would ordinarily be subject to income taxes is not taxable since the company has been able to claim for income tax purposes write-offs in addition to those shown in these financial statements. Such write-offs were made in the company's accounts and financial statements prior to November 1, 1968. There remains approximately \$650,000 of such write-offs which can be claimed for income tax purposes in 1971 and subsequent years.

4. Capital stock

120,000 shares of capital stock are reserved for possible issuance to key employees under incentive stock purchase options at a price of \$2.15 per share, exercisable as to 40% at the end of the first year, as to 30% at the end of the second year and as to 30% at the end of the third year. The said options are cumulative and exercisable at any time to the end of the fifth year.

5. Remuneration to directors and senior officers

The total remuneration paid to directors and senior officers (as defined by The Corporations Act, Ontario) for the year ended October 31, 1970, was as follows:

Directors and senior officers	\$ 51,380
Senior employees (not officers or directors)	<u>35,300</u>
	<u>\$ 86,680</u>

AUDITORS' REPORT

To the Shareholders,
Rayrock Mines Limited.

We have examined the balance sheet of Rayrock Mines Limited as at October 31, 1970 and the statements of retained earnings, income and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at October 31, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
January 7, 1971.

COLLINS, LOVE, EDDIS, VALIQUETTE & BARROW,
Chartered Accountants.

RAYROCK MINES LIMITED

Statement of Income

For the Year Ended October 31, 1970

	1970	1969
Crude oil and gas sales	\$ 532,050	\$ 610,208
Metal sales	1,837,815	1,774,465
	<u>\$2,369,865</u>	<u>\$2,384,673</u>
Operating profit from petroleum operations	313,894	377,653
Operating profit from mining operations	905,650	1,059,235
Investment income	96,679	103,471
	<u>1,316,223</u>	<u>1,540,359</u>
Administrative and general expenses	94,468	89,635
Operating profit before exploration and write-offs	<u>1,221,755</u>	<u>1,450,724</u>
Exploration and development — oil properties	17,506	1,454
Exploration — mining properties	286,953	216,348
Amortization of oil leases	81,006	88,619
Depreciation — oil well equipment	10,876	13,986
Depreciation — mining equipment	79,698	69,244
Mining claims and options abandoned	15,219	
	<u>491,258</u>	<u>389,651</u>
Income before provision for mining tax	730,497	1,061,073
Provision for mining tax	78,951	134,673
Net income before extraordinary items	651,546	926,400
Write-down of investments (1970)	(42,611)	
Profit on sale of long-term investments (1969)		70,496
Net income for the year	<u>\$ 608,935</u>	<u>\$ 996,896</u>
Earnings per share, before extraordinary items	\$ 0.15	\$ 0.21
Extraordinary items	(0.01)	0.01
Earnings per share	<u>\$ 0.14</u>	<u>\$ 0.22</u>

RAYROCK MINES LIMITED

Statement of Source and Application of Funds

For the Year Ended October 31, 1970

Source of funds	1970	1969
Current operations		
Net income for the year	\$ 608,935	\$ 996,896
Amortization of oil leases	81,006	88,619
Depreciation of equipment	90,574	83,230
Write-down of investments	42,611	
Mining claims written off	15,219	
Other	892	1,158
	<u>839,237</u>	<u>1,169,903</u>
Sale of oil well equipment	385	2,528
Decrease in sundry accounts receivable	5,018	227
Decrease in unexpended funds of mining exploration syndicates		5,480
	<u>844,640</u>	<u>1,178,138</u>
Application of funds		
Purchase of shares of other companies	651,097	188,776
Shares of cost of non-current assets of the Icon Sullivan Joint Venture	284,125	59,728
Increase in unexpended funds of mining exploration syndicates	6,975	
Purchase of oil well equipment	6,462	5,078
Purchase of head office furniture	57	539
Acquisition of mining claims		14,163
Acquisition of oil leases		292
Other items	2,859	460
	<u>951,575</u>	<u>269,036</u>
Increase (decrease) in working capital	(106,935)	909,102
Working capital, beginning of the year	1,877,865	968,763
Working capital, end of the year	<u>\$1,770,930</u>	<u>\$1,877,865</u>

Statement of Retained Earnings

For the Year Ended October 31, 1970

	1970	1969
Balance, beginning of the year	\$1,017,232	\$ 20,336
Net income for the year	608,935	996,896
	<u>1,626,167</u>	<u>1,017,232</u>
Written off upon amalgamation with subsidiary company		
Incorporation and organization	13,987	
Excess of cost of investment in subsidiary company over the book value of its assets	291,821	
	<u>305,808</u>	
Balance, end of the year	<u>\$1,320,359</u>	<u>\$1,017,232</u>

MINE PRODUCTION

ICON SULLIVAN JOINT VENTURE

Operating profit of the Icon Sullivan Joint Venture for the fiscal year ended October 31, 1970 registered a decline from that of the previous period due to a slightly lower grade of ore treated, and higher operating costs.

During the twelve months a total of 218,024 dry tons of ore grading 2.95 per cent copper was processed. Mill recoveries averaged 97.4 per cent while concentrate grade was 26.3 per cent. Since commencement of production in June, 1967, 700,000 dry tons of ore averaging 3.2 per cent copper have been milled.

It is interesting to note that the Chibougamau region property was brought into operation on drill indicated reserves of only 750,000 tons of 3.6 per cent copper. As a result of additional ore disclosures estimated reserves as at November 1, 1970 were 700,000 tons of 2.38 per cent copper.

Exploratory drilling was carried out during the year and will be continued into 1971 with particular emphasis on a geologically favorable area situated northeast of the main underground orebody. Recent results have been encouraging.

Shareholders will recall that a preconcentrator was erected on the mine site and commenced operation in June. Performance of the sink-float plant has been very satisfactory, and only minor problems were experienced in the tune-up stage.

There are several benefits associated with the preconcentrator, foremost of which is the feasibility of being able to mine relatively low grade copper material. Waste rejection is 40 per cent by weight and hence less waste is trucked and milled, and the resultant cost saving can be translated to a lower cut-off grade. Trucking costs in transporting the ore a distance of 44 miles to the Merrill Island concentrator are over 20 per cent of total operating expense. Another advantage of the preconcentrating plant is that the waste is employed as underground backfill. In this regard, a backfill plant is partially constructed and will be ready for operation in the spring.

Source of ore during 1970 was from two open pits and from the underground mine. Surface mining is suspended during the severe winter months. At one of the open pits known as the high grade No. 3 Zone it has been found necessary to extract a portion of the ore by shallow underground methods; development in the portal region was well advanced at year end. Sub-surface mining costs compare favorably with those of open pitting as trackless equipment is employed complimentary with a simple mine method.

Rayrock's net interest in the Icon Sullivan Joint Venture is 23.75 per cent. Each of Kerr Addison Mines, Newmont Mining Corporation of Canada, and Gunnar Mining holds a similar equity. Merrill Island Mining Corporation qualifies for 10 per cent of the Joint Venture operating profit after Quebec mining duties and also receives a toll of 50 cents per ton for custom milling.

MINING EXPLORATION

ICON SYNDICATE

For most of its eleven year existence, the Icon Syndicate has emphasized exploration in the general Chibougamau district, and of course was instrumental in discovering the Icon Sullivan Joint Venture orebodies several years ago. In 1971 the Syndicate will broaden its exposure in the Province of Quebec under an increased exploration budget.

Exploratory drilling will be continued this winter on the Syndicate claims adjoining the Joint Venture mine to the south. Targets selected are based on a hydrosound survey which was undertaken to detect subsurface structural features regarded as favorable for ore deposition. Poor ice conditions hampered lake drilling last winter.

Four holes were drilled on a base metal prospect situated northeast of Chibougamau. During

RAYROCK MINES LIMITED

1965, the Icon Syndicate encountered narrow widths of interesting mineralization at shallow horizons, and the purpose of the 1970 program was to investigate the depth possibilities of the mineral occurrence. However, results failed to improve on the original indications.

While prospecting in the Iserhoff River area east of Matagami, a copper-zinc showing was discovered and claims staked. A ground geophysical survey will be undertaken during the winter.

CALTOR SYNDICATE

During 1970, the Caltor Syndicate concentrated exploration efforts in Manitoba and in the Yukon Territory.

Early in the year, diamond drilling was undertaken on a group of base metal claims situated in the South Indian Lake region of Manitoba. The eight holes that were completed returned non-commercial sulphides and graphite mineralization; as a result, seven of the eleven claim blocks that were staked in 1969 are to be abandoned. On the remaining claims, ground geophysics was recently concluded and drilling is in progress.

Disappointing results were realized from exploration of a nickel prospect located southeast of Thompson, Manitoba and the option on the property was relinquished.

Only erratic copper mineralization was in evidence during prospecting of a group of claims optioned and staked near Ross River in the Yukon.

A total of 136 claims was staked some 40 miles southwest of Dawson City, but subsequent exploration of the base metal prospect provided little encouragement.

A partially developed gold-silver-lead property south of Whitehorse has been optioned, and geophysics, trenching, and sampling have been advanced.

In December of 1970, drilling was initiated on an optioned copper-zinc property situated 110 miles northwest of Whitehorse.

During the year, a number of mineral prospects were examined in both British Columbia and the Yukon.

The Caltor Syndicate participants are Rayrock Mines, Canadian Industrial Gas & Oil, and Ashland Oil Canada, and each is committing \$65,000 annually towards mineral exploration for the period 1970 through 1972. Rayrock is directing the field activities of the Syndicate and is providing engineering and other services.

CORDEX SYNDICATE

Rayrock Mines, Inc., of Nevada is a participant in the Cordex Syndicate which was formed in mid-1970 to undertake exploration in the western United States and Alaska. Other members of the Syndicate, each contributing 25 per cent of the exploration funds, are American subsidiaries of Siscoe Metals of Ontario, International Mogul Mines, and Lacanex Mining Company. A minimum of \$1 million is to be expended during a 3½ year period to the end of 1973.

The field work is being directed by Cordilleran Explorations of Reno, Nevada; the two partners in this company are renowned mineral geologists possessing broad exploration experience.

During the period July through December no less than 39 prospects were examined by Cordilleran for the Syndicate. Most of these were located in Nevada while others were situated in California, Arizona and Alaska. Two of the mining situations have responded with encouraging results in preliminary investigation — a gold-tungsten property and a tungsten-molybdenum prospect, both in Nevada. At year end drilling was underway on the former to test possibilities for low grade, open pit tonnage.

EXPLORATION — AUSTRALIA

During the year, your management decided to participate in an Australian exploration syndicate. Other sponsors of the venture are Discovery Mines, Tundra Gold Mines, Ranworth Explorations, and Ashland Oil Canada.

In the seven month period ending 1970 the Syndicate had acquired 58 mineral claims in 9 separate blocks situated in Western Australia. Two claim groups have been optioned to Jensen Mining & Investments, an Australian based exploration company. Two of the other properties are precious metals prospects which have been optioned in association with Australian partners;

RAYROCK MINES LIMITED

exploration is underway. In conjunction with Jensen Mining, the Syndicate has applied for exploration permits covering potential coal bearing areas in Queensland.

MEXICANUS EXPLORATIONS LIMITED

Rayrock Mines is a shareholder in Mexicanus Explorations Limited — a private company engaged in mineral exploration in the southwestern United States. Other participants in Mexicanus include Cominco, Jorex, and Yellowknife Bear Mines.

Mexicanus is contemplating entering into a lease agreement with The Anaconda Company to develop and mine two of their mining complexes situated near Death Valley in southeastern California. Situated 160 miles apart, the two base metal properties are known as the Shoshone Mine and the Darwin Mine.

The Shoshone property has had a long history of producing both mill and direct shipping ore, but has not been worked in recent years due to Anaconda's reluctance to operate small underground mines. The six mines that have operated in the past encompass a strike length of five miles. Average grade of ore produced by Anaconda from 1948 to 1957 was 21 per cent combined lead-zinc, 7.5 ounces silver, and 0.12 ounces gold per ton. On the mine site there is a small 100 ton per day mill which requires rehabilitation. Geological investigation indicates that certain sectors of the Shoshone property offer promising ore potential.

The Darwin Mine is a consolidation of several old silver-lead-zinc producers with a mill capable of treating both oxide and sulphide ore to the extent of 500 tons per day. Although indicated reserves are relatively modest, the potential is regarded as excellent.

The primary attraction to Mexicanus of undertaking these two projects is the low capital cost outlay that would be required to attain production status and the attractive exploration potential. Preliminary thinking is to initially develop the Darwin, and possibly truck Shoshone ore to the Darwin mill at a later stage.

JOREX LIMITED

Your Company presently owns as an investment 100,000 shares of Jorex Limited, a junior

exploration firm which was incorporated in 1968 to conduct prospecting in Canada and in the United States. Rayrock, together with McIntyre Porcupine Mines, Conwest Exploration, and Brimet Securities (The British Metal Corporation Canada Limited) have each agreed to purchase an additional 100,000 shares of Jorex at \$1.00 per share on or before June 30, 1971, at which time their respective equity interest will be 11.8 per cent. These four companies, together with an investment firm, provided the initial financing for Jorex which is spending approximately \$225,000 per year on exploration projects.

Jorex has good exploration exposure throughout the country, and during the past year has supported programs in Ontario, Manitoba, British Columbia, Quebec, and New Brunswick.

REDSTONE MINES LIMITED

Rayrock Mines owns 223,400 shares of Redstone Mines Limited.

About \$500,000 has been budgeted to support a major diamond drill program to be undertaken by Cerro Mining Company of Canada on Redstone's copper prospect situated in the Nahanni Mining District of the Northwest Territories. If this property should attain production status, Cerro would be entitled to earn an 80 per cent interest while Redstone would receive 20 per cent of all mine profits, plus approximately \$3.1 million in cash.

Redstone has a 15 per cent interest in the Rankin Nickel Syndicate which has initiated preliminary exploration of a nickel-copper prospect located 300 miles north of Churchill, Manitoba. Encouraging low grade values have been disclosed in prospecting.

DRYDEN PROJECT

During 1970, Rayrock and Cerro Mining Company of Canada participated in the exploration of a large block of ground situated about 35 miles southeast of Dryden, Ontario.

Following an airborne geophysical survey early in the year, a total of 255 claims was staked over a geologically favorable belt. In the ground followup which encompassed ground geophysics, trenching, and drilling, nothing of economic consequence was disclosed. A limited amount of exploration work remains to be carried out.

RAYROCK MINES LIMITED

GENERAL

Late in 1969, Rayrock Mines optioned from Royal Canadian Ventures Limited a copper prospect located in the Kamloops Mining Division of British Columbia. A program of geological mapping, soil sampling, induced polarization survey, and percussion drilling was undertaken during the period May to September, 1970. A total of twelve percussion holes returned sub-marginal copper values with the most promising intersection being 0.35 per cent copper over a core length of 212 feet. The option on the property has been dropped.

* * * * *

Early in 1970, six diamond drill holes were completed on a carbonatite prospect in the James Bay region. Columbium values which are commonly associated with such geological formations

appeared in trace amounts only while no other minerals were present in economic concentration.

The program was financed by Rayrock Mines, Tundra Gold Mines, and Ashland Oil Canada Limited.

* * * * *

Rayrock was a participant during each of the past two years in the Kilgour Grubstake which in 1969 staked a gold discovery in the Happtiyik Lake area some 265 miles north of Churchill. The 1970 exploration program was designed to investigate the economics of the find and consisted of geological mapping, trenching, and sampling of several promising vein structures. The examination disclosed that the gold values were generally erratically distributed over narrow widths. In view of the remoteness of the region, and the nature of the deposits, it was recommended that no further work be undertaken by the Grubstake supporters.

PETROLEUM PRODUCTION

Rayrock is the operator of three oil producing units in southwestern Ontario, namely a 100 per cent owned section of the Rodney Field containing 60 producing wells, a 40 per cent interest in the R & R unit of the Rodney Field with 45 producing wells, and a 10 per cent interest in the Gobles Field which hosts 38 oil wells. Both the Rodney and Gobles Fields are waterflood operations.

The net production from the three units for the fiscal year was 277,062 barrels of oil and minor gas output having a combined market value of approximately \$1 million. Of this, Rayrock's

share was \$532,050 and the net operating profit was \$313,894.

Profit was adversely affected in 1970 due to a price reduction placed on Rodney crude as previously reported.

Profit for 1971 is expected to significantly exceed that of 1970 due to a general crude oil price increase of 25 cents per barrel which became effective December 15, 1970.

At the present time, Rayrock is studying the possibility of acquiring additional proven petroleum reserves in southwestern Ontario.

